§ 761.402 Abbreviations and definitions.

(a) Abbreviations and definitions for terms used in this subpart are provided in 7 CFR part 3 and § 761.2.

(b) Definitions used only in this subpart include:

(1) Third party converter means an individual or entity who:

(i) Is in possession of agency security property, or money from the sale of security, in relation to a loan or other debt that the individual or entity was not liable for; or

(ii) Assists, or participates knowingly or unknowingly, in the transportation or sale of agency security, in relation to a loan or other debt that the individual or entity was not liable for; or

(iii) Assists, or participates knowingly or unknowingly, in temporarily or permanently relocating or concealing the location of agency security property, or money from the sale of agency security, in relation to a loan or other debt that the individual or entity was not liable for; or

(2) [Reserved]

§ 761.403 General.

(a) The Agency will settle debts that result from, except as otherwise specified in this section:

(1)(i) Farm Ownership loans (part 764, subpart D of this chapter), including down payment loans (764, subpart E of this chapter);

(ii) Operating loans (part 764, subpart G of this chapter), including microloans part 764 of this chapter), and youth loans (part 764, subpart H of this chapter);

(iii) Emergency loans (part 764, subpart I of this chapter);

(iv) Conservation loans (part 764, subpart F of this chapter);

(v) Economic Emergency loans (serviced under parts 761 through 767 of this chapter); softwood timber loans; Soil and Water loans; Individual Recreation Loans; Irrigation and Drainage loans; and Shift-in-land-use (Grazing Association) loans;

(2) Costs associated with servicing a borrower’s account including, but not limited to, Uniform Commercial Code filing fees, surveys, appraisals, protective advances, and liquidation expenses;

(3) Debts reduced to judgment;

(4) Non-Program Loans;

(5) Amounts the Agency is authorized to recapture through agreements such as the Shared Appreciation Agreement (part 766, subpart E of this chapter);

(6) Loss claims paid on guaranteed loans (part 762 of this chapter);

(7) Unauthorized assistance;

(8) Amounts the Agency may collect from third party converters, or other individuals or entities having possession of security for FLP loans or monies obtained through the sale of FLP loan security; and

(9) Debt returned to the Agency from the Treasury cross-servicing program.

(b) The debtor’s signature is not required to process some debt settlement actions. These cases include, but are not limited to, debts discharged in bankruptcy and debts returned from Treasury’s cross-servicing program with amounts still owing when no further collection can be taken.

(c) FSA will not engage in settlement of a debt if:

(1) Foreclosure of security has been initiated and is pending with Justice, unless Justice has advised FSA that it does not object to the settlement; or

(2) Debts that have been referred to Justice for a judgment, or a judgement has been obtained by the United States Attorney or Justice, unless Justice closes its file and releases the judgement back to FSA for continued servicing; or

(3) The debtor’s account is involved in a fiscal irregularity investigation in which final action has not been taken or the account shows evidence that a shortage may exist and an investigation will be requested.

(d) The Agency will consider settlement of a debt only when:

(1) All security has been liquidated and the proceeds, less any prior lien amounts, have been applied to the